

COMMONWEALTH OF MASSACHUSETTS

SUFFOLK, SS.

SUPREME JUDICIAL COURT  
FOR SUFFOLK COUNTY  
NO. SJ-2000-65

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LINDA L. RUTHARDT, as she is	)
COMMISSIONER OF INSURANCE of the	)
COMMONWEALTH OF MASSACHUSETTS,	)
	)
Plaintiff,	)
	)
v.	)
	)
TRUST INSURANCE COMPANY and	)
TRUST ASSURANCE COMPANY,	)
Defendants.	)

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**PERMANENT RECEIVER'S SECOND STATUS REPORT**

I, Linda L. Ruthardt, Commissioner of Insurance, in my capacity as Permanent Receiver (the "Receiver") of Trust Insurance Company ("Trust Insurance") and Trust Assurance Company ("Trust Assurance") (collectively, "the Companies"), hereby submit this status report on the receivership of the Companies.

1. Staffing: I continue to utilize the services of American Patriot Group Inc. ("APG")<sup>1</sup> and Associated Insurance Management Inc. ("AIM Inc.") to supplement the remaining staff of the Companies. Senior personnel of APG and AIM Inc. are continuing to provide on-site assistance and direction. As of

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<sup>1</sup> APG is a wholly owned subsidiary of the American Mutual Liability Insurance Company, in Liquidation ("AMLICO"). By virtue of my appointment as Permanent Receiver of AMLICO, I also control the operations of APG.

June 30, 2001, the Companies' operations were staffed by 3 full-time and 2 part-time employees of Trust Insurance, a reduction from 312 employees as of January 31, 2000 (immediately prior to the inception of these proceedings). Most receivership functions are being performed by APG at its facility in Burlington, Massachusetts.

2. Liquid Assets: As reflected on the attached Exhibit "A", Trust Insurance had liquid assets under my control as Receiver of approximately \$7,200,000 at June 30, 2001, while Trust Assurance had liquid assets of approximately \$5,300,000. With the transfer of responsibility for the administration of all claims and payment of unearned premium under policies of insurance issued by Trust Insurance to the Massachusetts Insurers Insolvency Fund ("MIIF") and its counterparts in other states during September, 2000, the cash flow of Trust Insurance stabilized. I continue to believe that the liquid assets of Trust Assurance will permit the continued payment of its obligations in the normal course.

3. Cancellation of Book of Business: In accordance with the Court's order entered on May 25, 2000, all policies of insurance issued by the Companies have been canceled, and substantially all unearned premiums have been refunded to policyholders, either by the Companies or by one of the guaranty funds. Following the entry of the Court's October 16, 2000 Order

on Confirmation of Succession to Administrative Priority, MIIF reimbursed the Trust Insurance estate \$624,970 for unearned premiums previously returned to policyholders.

4. Claim Processing, Claim Bar Date and Proof of Claim Process: As noted above, MIIF (and its counterparts in other states) are now adjusting and paying "covered claims" under policies of insurance issued by Trust Insurance. Responsibility for adjusting and paying all outstanding claims under policies of insurance issued by Trust Assurance has been transferred to APG, which assumed full responsibility for such claims on February 1, 2001. In addition, by my motion filed concurrently herewith, I seek the Court's approval to implement procedures for the filing of proof of claim forms by policyholders and other creditors. I am proposing that the deadline for the filing of all proof of claim forms be one year from the date of the Court's order establishing such deadline.

5. Trust Enterprise computer system: By its order entered on October 5, 2000, the Court approved a three year technology license and marketing agreement with American International Technology Enterprises, Inc. ("AITE") for the Trust Enterprise computer system. Pursuant to that agreement, royalty payments derived from the licensing of the Trust Enterprise system will be partially allocated to AITE in order to amortize unpaid development costs of the system. Any royalties allocated to the

Companies will be escrowed, pending resolution of the claims asserted by Fleet National Bank, N.A. To date, the marketing of the Trust Enterprise system has not generated any royalty payments.

6. Marshalling of assets: Among the assets which are continuing to be marshalled are reinsurance recoveries, claim subrogation recoveries, and unearned agents' commissions. From the inception of this proceeding through June 30, 2001, salvage and subrogation recoveries totalling approximately \$23,042,000 were collected for Trust Insurance. During that same period, reinsurance recoveries of approximately \$968,000 were collected for Trust Insurance. As a result of the cancellation of its entire book of business, substantial unearned agents' commission balances were generated. As of June 30, 2001, return commissions of approximately \$2,235,000 were collected, and approximately \$2,494,000 remained outstanding. The continued collection of these balances from former agents is an important objective for 2001.

7. Special deposits: Trust Insurance maintained securities on deposit in New Hampshire and Rhode Island, the book value of which as of December 31, 2000 were approximately \$595,000 and \$1,063,000, respectively. The Director of the Rhode Island Department of Business Regulation was appointed Ancillary Receiver of Trust Insurance on September 6, 2000, and was thereby

authorized to take possession of the securities on deposit there. My counsel is coordinating all necessary matters with the Rhode Island Ancillary Receiver.

8. Limited record destruction: By my motion filed herewith, I am seeking the Court's approval of the destruction of certain specified business records of the Companies which are extremely unlikely to be of any use in their liquidation. The destruction of these records would significantly reduce the cost of vacating the Companies' offices in Taunton, as well as the ongoing expense of storing the Companies' business records.

Respectfully submitted,

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Linda L. Ruthardt  
Permanent Receiver

Dated: July \_\_, 2001